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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 5, 1996

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, D.C. 20554

Dear Mr. Caton:

RE: Corrected Ex Parte Notice, CC Docket No. 96-112

On July 5, 1996, USTA filed an ex parte notice in the above-referenced docket regarding a meeting on July 3 with Dr. Joseph Farrell, Chief Economist of the Office of Plans and Policy. The undersigned and four (4) individuals (listed in Attachment A) from USTA member companies met with Dr. Farrell. At this meeting, the discussion centered around the points contained in Attachment B. These points were made in USTA's comments filed in the proceeding.

This filing represents a corrected copy of USTA's July 5 ex parte notice. Please remove from the FCC's record the incorrect notice filed on July 5, and replace the earlier filing with this notice. An original and one copy of this ex parte notice are being filed.

Respectfully submitted,

Keith Townsend

Keith Townsend
Director
Regulatory Affairs & Counsel

cc: Dr. Joseph Farrell

O+1

Attachment A

Greg Sidak
American Enterprises Institute
1150 Seventeenth Street, NW
Washington, DC 20036

Maury Talbot
BellSouth
1133 21st Street
Suite 900
Washington, DC 20036

Joann Barron
Bell Atlantic
1310 North Court House Road
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Sheryl Herauf
Pacific Telesis
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1275 Pennsylvania Avenue, Ste 400
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USTA EX PARTE 96-112

- Telecommunications Act Encourages Development of Broadband Network and Promotes Competition

- Use of Broadband Facilities by Telcos for Nonregulated Services such as OVS Will be Impeded by:
  -- Exogenous Change for Price Cap Companies
  -- Over Allocation to Nonreg

USTA EX PARTE 96-112

- For Consumer Prices to be Considered Just and Reasonable, Sound Economics Should be Followed:

-- Maximize Welfare of Consumers of BOTH Video and Telephone Markets

-- Cable Industry Proposals Will Harm Consumer Welfare as Well as Frustrate Universal Service Goals

-- Price Caps with No Sharing is Sufficient to Prevent Cross Subsidy

-- Current AND Potential Competition Protect Consumers from Cross Subsidy. Leland Johnson Provided the Answer in 1994:
"The threat of cross-subsidization is constrained because the pool of potential LEC monopoly revenues available to absorb cost shifting is shrinking." "The threat of cross-subsidy is less today than previously, and it will continue to diminish." (Leland L. Johnson, Toward Competition in Cable Television, 80-81 MIT Press & AEI Press 1994)

-- Ratepayers Already Share in the Economies of Scope

USTA EX PARTE 96-112

- Not all Broadband Services are Nonregulated
  (video conferencing, video telephony, data services in excess of DS1, wireless transport, digital audio, etc.)

- New Regulatory Burdens are Not Necessary
  -- Existing Part 64 Rules Allow for Flexibility of Technology
  -- Rules can be Simplified Without a One-Size Fits All Allocator; Use Individual CAM Changes
  -- Special Cost Pools are Not Needed for Spare Capacity